

# 'How to rescue the world from the current crisis'

by Lyndon H. LaRouche, Jr.

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*Printed below is the text of Lyndon H. LaRouche's speech in Bonn, West Germany, May 6, at a seminar sponsored by Executive Intelligence Review.*

The problem we face is not an objective problem. It is a subjective problem: people—contrary to sociologists, for whom we do not have much use—do not behave in response to reality. Rather, people misinterpret reality according to prevailing delusions. It is only when reality intersects efficiently to offset these delusions, only when the delusions reach a point of crisis that reality impinges upon them.

Society, as Plato analyzed it, as Saint Augustine analyzed it, and as Dante Alighieri analyzed it in his *Commedia*, is divided into three categories of people, three moral categories. At the lowest level, we have the man-beast, Hobbesian man, the philosophical anarchist, the existentialist, the irrational hedonist, who is concerned with gratifying, like a cow or some other form of cattle, what appear to him his immediate inner psychological desires. He is not concerned with whether his desires are moral or not; nor is he concerned with whether the means used to achieve these goals are moral; he is concerned only to realize his goals—as Max Weber, the founder of sociology in Germany, and also implicitly the founder of fascism in Germany, laid out in his system of sociology, of populism, which produced an Austrian hippy named Adolf Hitler in this country at a certain point.

On the second level, we have moral man, the average moral man. Now the average moral person pursues hedonistic goals for himself or herself or for the immediate family or local group. In that sense, he seems to resemble the hedonist, the Hobbesian man that Dante relegates rightly to the Inferno.

But this moral individual of the middle category,

which Dante associates with Purgatory, is also Kantian man, as Kant describes this process in his *Critique of Practical Reason*. If the moral individual allows society to shape his conscience by negation, society says "no," this goal is forbidden. The moral Kantian man says, "Yes, my conscience henceforth will forbid me to seek such a category of goal." Then society intervenes and says: "Not only are certain categories of goals morally inadmissible, but certain means to achieve goals, are also immoral." And Kantian man says: "Yes, sir. I permit my conscience to be instructed; henceforth I negate my inclination for those means. I will not use those means even for moral goals without blushing."

## **Kantian man**

So we have Kantian man, who is governed not by a positive morality, but by a sense of duty in terms of negation of immoral goals. That means that he goes into the bars in Hamburg by night; he may go even though he knows it is immoral; and he does not steal when he expects himself to be caught, even for a noble purpose.

Now this kind of individual—the typical "little man"—can be moral and rational only insofar as the immediate, personal, family, and other social relations are concerned. When it comes to the matters of society at large, national policy, or world affairs, this little moral fellow, says: "Well, you say the bombs are gonna drop tomorrow, you may be right; but I can't be concerned with those matters. Don't you see, I am saving for my pension?"

That is your typical moral man.

He has no rational perception of cause and effect in terms of policy on a national level, or in terms of international affairs. He is completely irrational. Under normal circumstances, what he does is this: he associates

himself with certain institutions, political parties, churches, Freemasonic lodges, and whatnot; he presumes that the leadership of these institutions will make the right choices in terms of policy on the national and international level.

You say to him: "That policy of the government is insane." He will tell you: "Well, I don't know about that. I belong to my party and my party's leadership, whom I trust, says such and such. My party's leaders are so smart, I don't have to argue this question with you; so who are you, to criticize that?"

Therefore, the average moral little man runs around with a mouth full of phrases, slogan, and catch-words, which are a substitute for rationality in matters concerning cause and effect in national and international policy. Therefore, in normal circumstances, there is no correlation between what is occurring in society, in the world, and the individual's response, in terms of the policies he prefers.

Now, it has been perfectly obvious over the past 15 years that we are headed toward a world depression, and that we are headed for a probable thermonuclear confrontation. It has also been clear that the policies we were following were leading us toward that. But in this past period, you hear, "No, nothing can be done about it," and "I can't change it," and "Impractical!"

The Third World said, "We don't wish to die. Let's have a North-South negotiation. Henry Kissinger took Giscard d'Estaing, then the President of France, to the Rambouillet conference in 1975 and the industrialized nations (the OECD), agreed to act as a bunch of thugs to prevent the Third World from imposing any transformations in the world monetary institutions. Even though this was leading toward depression, was leading to mass death. The Rambouillet conference has murdered more people than Adolf Hitler was accused of killing in World War II. And we have people who consider that a moral decision.

The average little Kantian man goes on from day to day walking through the streets, saying, "I have to trust my party leadership in this and that" and mouths the slogans over and over. On top of that he is lied to by the news media. I can say this freely because the news media in my country are probably the worst in the world, and certainly the most corrupt. If the *New York Times* were to publish the truth on any subject, I would be sincerely shocked. If it were the *Washington Post* I would emigrate—I would know that something evil is going on.

The little man is lied to; he is miseducated. We have watched, particularly, the policies of de-schooling of Dr. Alexander King and Ivan Illich, applied over the past two decades. We have watched parents consent to watching their children's minds being destroyed by the destruction of educational institutions.

To deal with real policies and real economic policy making, we must look for those peculiar points, those conjunctural points in the historical process at which the credibility of the dominant institutions is undermined.

### **The crisis we face**

Now we are in world depression. In point of fact, we entered a depression, that is no longer a recession, in the period between October 1981 and February 1982. We are now in a period analogous to spring 1931, before the Vienna Kreditanstalt Bank collapsed. We are simply waiting for the Argentinians to repudiate their debt toward Britain. If the Argentinians repudiate their debt toward Great Britain, under conditions of warfare, and if Britain manages to secure support among nations it considers allies for reprisals against Argentina, the entire international monetary system collapses in domino fashion.

If the idiots around Fred Iklé in the foreign policy section of my Defense Department succeed in enforcing a declaration that Poland and Romania are in default, securing acceptance of that among nations, then the chain-reaction eruption means the entire world monetary system collapses.

Some months ago, some people around my government talked to me about the crisis management that would soon be needed. Everybody knows—who knows anything—that by the spring of 1983, if not earlier, the world will be at the brink of thermonuclear war centering around the placement of Euromissiles in the Federal Republic of Germany. If those missiles are placed, we are very close to thermonuclear war. You cannot place thermonuclear missiles within a few minutes of the Urals or Siberia, cutting down on a warning time of strategic missiles from 20 to 25 minutes to several minutes, and not have a thermonuclear confrontation that makes Cuba 1962 seem like a very minor affair.

But thermonuclear confrontation will come before the spring of 1983—given the world economic depression. I said some months ago that it is April/May of 1982 which is the breaking point, where the countdown toward thermonuclear war begins.

This development in the South Atlantic is simply a part of a global process of eruptions of hot spots, which Lord Carrington set into motion. The Israelis and Lord Carrington were playing a game with each other. The Israelis encouraged the Argentinians to do something and also manipulate the British; so Carrington on March 28 produced a violent atrocity against some Argentine civilians, who were working under contract in the South Georgian Islands. On March 31, the Argentinians moved into the Malvinas Islands in response to that atrocity. Under the United States law, the Malvinas are not only the property of Argentina, but the British

shooting at Argentina is an act of war against the United States. That is U.S. law. In point of fact, I am moving to have Alexander Haig indicted for treason against the United States. He is technically guilty of treason against the United States under conditions of war.

It is the British who set this operation into motion. Carrington set a bomb under the British government, lit it, and walked out, waiting to watch the explosion occur. The Israelis, on the other hand, encouraged Carrington to do this and encouraged the Argentines to move. The Israelis are now the major suppliers of military hardware to Argentina and plan to set up a large military-goods-production operation in Argentina. Now they are laughing because Begin hates Carrington, for completely different reasons.

But apart from the specific elements of this affair, the point is that these kinds of situations, which would have normally been controlled can no longer be controlled, because the world has entered a period of strategic instability.

Therefore what do we do and how do we do it?

We have entered into a depression in a period of war; institutions will either reform themselves, or people will look for institutions to replace them. We are at a branching point of history, in which the old way of doing things and the old policies are about to end. Either we make the correct choice of branch or by default, we will find ourselves going down the other route toward collapse. We are headed possibly toward either fascism throughout the industrialized countries, or an irreversible approach to thermonuclear war. Those are the choices. Under these conditions of shock, it must become possible—and it is possible—for heads of government and heads of state, including President Reagan, to undertake drastic, sudden innovations in policy which would have been politically unthinkable a few years ago or even months ago.

### **Program for recovery**

This brings us to the substance of what I propose. I propose these measures be enacted suddenly, be enacted ruthlessly, and be enacted with the determination to crush any opposition which threatens to obstruct the successful implementation of the policy.

I propose that my President announce the remonetization of the gold-reserve stocks of the United States at \$500 per ounce; that he do so unilaterally, without bothering to wait for consultations with anyone outside the United States, or even outside the White House itself, and that he dump Paul Volcker in the same act—because he has the power to do so.

I propose that the United States impose total Hamiltonian regulation on the entire U.S. banking system, and forbid claims or transactions with the U.S. banking

system by any banking system outside the United States which is not regulated by these standards. That under the pricing of gold arrangement, the United States would agree to settle claims on imbalances in gold at \$500 an ounce with such governments and their banking systems who enter into an agreement to that effect.

I propose that the U.S. Congress issue immediately \$200-\$400 billion of U.S. Treasury gold-reserve denominated currency-notes; that these notes not be spent by the government, but rather that they be loaned at between 2 and 4 percent through the Federal Reserve System under congressional acts which would convert the Federal Reserve System into a national bank like the United States Bank and the Second Bank of the United States.

I propose that the discount function of the National Bank, that is, the Federal Reserve System under this law, shall be as follows: categories of hard commodity investment, with infrastructural projects approved for special treatment. The private banker brings in a loan-agreement to the central bank, the loan agreement is in an approved category. The central bank will lend to the private bank at between 2 and 4 percent interest, and will then lend a portion of the total value of the loan agreement.

The first effect of this plan is the shutting down of M2, M3, M4, M6, and any of these Friedmanite categories of funny-money, which have bred under the Eurodollar system. We shut them down; we destroy the ability of the international private banking system to print money. We restrict the international private banking system to the ability to lend savings and to act as agents for lending and credit created by governments under this kind of system. To compensate for the shutting off of, or the elimination of, entire categories of money, the governments, in this case of the United States, must issue sufficient credit through the private banking system at low interest rates to ensure that there is enough credit to maintain the system and to expand the system in terms of certain categories of things which will be most beneficial to the economy as a whole.

For high-technology energy projects, for public works which are infrastructural in character, for high-technology industry, for high-technology agriculture, for world trade in terms of capital goods, there will be abundant credit available at between 2 and 4 percent rediscount cost. If someone wishes to open a house of prostitution or engage in real-estate speculation, he will pay whatever the private banking market decides it can afford to charge. There will no public funds available for lending anything which is not determined to be in the public interest by category. We will have a free market in the things we do not like, and a subsidized market in the things we do like. This will not cost anything. This is what we mean by a two-tier credit

system of economics.

There is a great mythology about credit systems, money systems, and banking systems. Essentially, what is the function of credit? In a modern economy, we have three categories of cost, of basic cost to production.

First, we have the cost of maintaining the labor force, the goods-producing section of the labor force, the households from which we recruit the goods-producing section of the work force.

Second, is the cost which is represented by capital goods and materials of production, and third is the cost represented by administration and essential services, which these days includes the military, police, and so forth. (I must say the United States would need a lot more police, because contrary to rumors, we do not have much of a military.)

We have to deduct these costs from our total output, and then we have—one hopes—a surplus, which is available for reinvestment. At the same time, the money put into circulation by production and by circulation of newly produced goods is actually the sum—approximately—of the paid out costs, for the households of the labor force, for capital expenditures on production, and for administration and services. Therefore, if we have a surplus, we do not have as much money put into circulation through production and circulation of production as the value of the total product produced. Therefore, we seem to have a problem which some idiots call a buy-back problem. Now, this marginal surplus, for which the monetary volume is inadequate, and the monetary volume generally right now is inadequate, exists in the form of idle capacities, or potentially idle capacities, of a margin of goods that are not sold, and in terms of labor force which is unemployed.

### **The function of credit**

The function of credit, which is the proper function of the state, is to create gold-denominated currency notes for lending to purchase through loans the unemployed labor, the idle capacity, the idle portion of goods, and to sell these goods to a performance-worthy investor, including the state as one of these such investors, who will put these goods and labor to useful work to increase both the total amount of production of the nation and the productivity of the nation. That is the function of credit.

We do not require a private credit system, nor should we have a private credit system, which is engaged in the creation of money. The private banking system should be an entrepreneurial system, which deals with the determination of the kind of customers these banks consider to be performance-worthy. The supply of margins of new credit to the private banking system must be by the state, which must issue a well-regulated gold reserve-denominated currency in adequate supply

for all of the legitimate loan agreement requirements to the private banking system.

Under that condition, provided that we are promoting technology and technological progress, and that we have made the right choice of priorities, there is never a need to be in a depression, or to fail to get out of a depression, or to fail to meet the essential requirements of humanity on a world scale.

There is, however, a world goal we must meet in this process. I could pull the United States out of a depression on any Tuesday morning, or any Thursday morning for that matter, simply by these acts. There are certain powers which the President of the United States has that I would use. There are certain things that the Congress would have to do, and the President has to know how to intimidate the Congress into doing what it is supposed to do. Congress has to be kicked in the proper way. Franklin Delano Roosevelt used to do that all the time. He would get on radio and tell the people, "You are having problems getting out of the depression because you have a number of dumb-bunnies in the Congress who won't cooperate, and you people should go down and roast these characters." Then just watch the Congress snap to and perform under those conditions. I am just the nasty kind of person to do that, even without the model of Franklin Delano Roosevelt on this question.

We are in a Rooseveltian crisis-management period. I am prepared to use those methods, and any competent world leader will use those methods. Any head of state or government who does not use those methods, is not fit for his job, or her job—referring to something across the channel.

Not only does this work in principle, but the United States has done it three times, twice in the case of wars. The only time the British have allowed the United States to use the American System, that is, the system of Hamilton, List, and the Careys, in the 20th century is when the United States was being instructed to prepare to fight a war to get Britain out of one of the messes that London created for itself. I mean the two recent world wars, which the London Round Table crowd around Lord Milner and so forth cooked up. Then Milner et al. said, "All right, you, the United States, will have to use the Hamiltonian method to crank up your economy in order to produce the military goods, and your American fellows from our little colonies there have to come out and rescue us from the mess we have made for ourselves."

Then we had a war production system which worked, almost as I have described it. If you were a manufacturer or a farmer, and you had a war production contract, or you had a contract to supply the needs for a war production contract, you trotted over to your local banker with this contract between your teeth. The

local banker would look at this, he would sniff and he would paw, and stamp, and scratch the floors, and he would say, "Friend, it looks like you have a really good contract here. I'm going to get you some credit."

These war-production contracts were discounted through the banking system and the little fellow with his government contract would find himself with ample credit to keep production going. Between 1929 and 1939, the United States could not get out of the depression, and there was nothing that Franklin D. Roosevelt could do to change it much. Suddenly in 1940, we decided that we were going to go to war. We cranked up our military economy, we began cranking up war-production credit, and, lo and behold, the depression abruptly ended.

What happened? Military goods are not useful goods. You cannot eat them—unless you are a punker, and a tank might be used as a tractor, but I would not recommend using tanks to supply the needs for tractors. They are rather expensive to maintain, among other things. So, in principle, military goods are pure waste, as end products. So, how then did the production of sheer waste, military product, particularly in World War II, bring the United States out of a depression when nothing else succeeded? What lesson do we have to learn from that in the depression we now face today? Our condition today is approximately that of the depths of the depression in the 1930s. Today we have a lot of parasitical service functions, but once you look at the basic production of wealth in the economy, we are below the relative levels during the depths of the 1930s depression. It was not the war production period of 1940 to 1944 that brought the United States out of the depression, but, with the exception of NASA, almost the entirety of the economic power of the United States, which has been diminishing over the past 40 years, has been living on the capital established during the recovery from 1940 to 1944. What is the lesson to be learned from this process?

### **Mobilizing the sinews of peace**

The lesson is this: we not only produced war goods; we cranked up the civilian economy, we mobilized otherwise idle resources, of capital goods, capacity, and labor. In order to build the capacities for war goods we had to build the capacities for the other kinds of goods. There is no such thing as a strictly military industry. Such things do not exist. Take for example the soldiers of society: you do not tell certain women to go into breeding stalls and produce soldiers, at least not in a well-ordered society.

At least since Niccolò Machiavelli laid down the first articulation of the principles of republican warfare, in the early part of the 16th century, that the defense of the nation is the mobilization of its able-bodied citizenry

to provide combat strength in-depth; and since the work of Gottfried Leibniz on military policy and economy in the last quarter of the 17th century, we have understood that mobility, firepower, logistics, and the in-depth capabilities of the entire able-bodied population are the basis of warfare. Just as the quality of the soldier is a product of the primary and secondary education and the levels of family culture and the levels of the society in general, so the weapons of war, the technology of the weapons of war, are simply a reflection of the in-depth capabilities in the civilian economy.

Mobilization for war means the mobilization of the forces of peace. It is from the strength of the forces of peace that the sinews of war are formed. To produce military goods, you must produce the entire infrastructure of supporting the production of civilian goods.

During World War I and World War II, the United States government established parity values for agricultural products because we needed food, not only to supply our civilian population but to satisfy our logistical needs internationally. Because we were short of labor to produce for both civilian and military needs, we also needed to maximize the productivity of labor, in agriculture as well as elsewhere, to bring more land into production, to force useful kinds of investment in agriculture and production. We cranked out an agricultural capability which began to die after the First World War in 1925, and which has continued under rather peculiar circumstances until about 1978 in the postwar period. The same thing happened in other sectors of the economy. We cranked up and mobilized the sinews of peace in order to provide the sufficient base to also produce the sinews of war. *That means we do not have to have a war to get out of a depression.*

All one has to do is to use these methods, the methods that we have used in the United States in this century only in the cases of war, and apply them to the tasks of peace. Now, there is another aspect of politics which we have to introduce here. Economics and politics cannot be separated; you cannot mobilize the people of a nation and nations for policy other than politically. One of the advantages of a war is that a people is mobilized for the enterprise of a struggle for its own political existence. Under those conditions of mobilization, people will be mustered to a unity of will and a sense of directed achievement which is not possible under more pragmatically minded conditions.

The same thing applies in the NASA case, which is a complementary case to the war economy. For every dollar that the United States spent on NASA, on the moon landing, and associated projects, the United States received in repayment \$10 to \$14 in return, through the increased productivity effected as the result of the transmission of improved technology to civilian applications. That is the main objective.

What is required to make the kind of change we must make, is the mobilization of the consciousness of the people for a great enterprise. Great enterprises are the building of a nation, as for example the case of India, which achieved rates of growth of 10 percent under the first and second five year plans under Nehru, until John Kenneth Galbraith got over there and ruined it. The mobilization of a people to some enterprise such as nation building, liberation struggles, conquest of space, fighting a war—these kinds of ideas are absolutely necessary to take the ordinary little Kantian man and mobilize him to espy in his own little identity something bigger than himself. The Kantian man, because the nation has committed itself to a great enterprise which will benefit future generations and the world more generally, now finds that in his identification with the work of his nation, there is a world-historical meaning for his own existence. It is that kind of uplifting of the individual which is key to making these kinds of policies possible.

What is the great enterprise? We stand at the brink of thermonuclear war, we are in a depression. Let no one fool himself. If these policies continue, we are headed for war. Now, in Aachen, they tell us that if 10 percent of the nuclear weapons of the superpowers are detonated, this would produce among its effects sufficient radioactive, long-life isotopes of cesium, which intersects with the iodine function of biological systems, such that in two years after the detonation of the nuclear devices, there would be no form of higher animal life left on this planet. People associated with Alexander King and that faction in NATO, the Harrimans, the Moores, the Morgans, and that crowd in the United States, are going to push the United States or the Soviet Union to launch thermonuclear war. Not that they intend to do that, but the consequences of the policies which they are adhering to are that.

We are in a depression, this depression, if it is continued, with the policies now afoot, will probably reduce the population level of the human race by 2 billion people over the coming three decades. We are living with policies, including the Brandt Commission policies, which, if applied, would murder 100 times more people than Adolf Hitler was accused of murdering at Nuremberg. So, to get out of this immorality, this insanity, that is in a sense a great enterprise. But politics does not work that way. Negative enterprise, while you can move people to do something, it does not attract them, it does not pull them. What is a great enterprise?

There are two great enterprises I propose to mobilize the conscience of Kantian man throughout the nations: we must raise the standards of living of the populations of the Third World, and we must set ourselves the task of colonizing space.

## Latin America reminds U.S. of hemispheric potential

*The following are statements and press analyses from Latin American leaders reassessing relations with the United States.*

*From an address by Panamanian President Aristides Royo to U.S. and Latin American delegates at an early May seminar on trade and development in Central America:*

The Monroe Doctrine can be interpreted in two distinct ways. First, that the Monroe Doctrine is only to be used for U.S. interventions in Latin American affairs. Second, and what seems to me to be the good in the doctrine, is that it prevented the countries of the Holy Alliance (France, Great Britain, and Spain) for many years from returning to take back the colonies which had belonged to them. . . . What would James Monroe have thought on seeing a power like Great Britain storm in with a mammoth air and sea force to rescue those little islands which make up the Malvinas? What would he have thought had he foreseen the current North American position?

*From a statement released May 18 by Peruvian Defense Minister Luis Cisneros:*

If the armed forces of Latin America were to unite, they could become a dissuasive force so that England would not persist in attacking the continent. . . . [This] would also make it very difficult for the United States to intervene, because if it did, it would practically be opening the door to world conflagration.

*From a May 15 article by political strategist Enrique Alonso in the Argentine daily Clarín:*

We face two possible policies. If underdevelopment engenders instability, then only economic cooperation on a hemispheric scale and the implementation of national policies by the Latin American countries will overcome such oscillations. But if the installation of a fixed order is permitted, then we will see the return to the big stick policy on a universal scale. . . . What will happen in America? What is the means—if indeed there is a means—of restoring the deteriorated relations with the United States? It is clear that Argentina can be a lucid partner in dialogue with the United States . . . to honestly lay out the problems of the region and creatively propose possible solutions. . . . This will require the will to grow—not the binding of the economy like the feet of Chinese women.